

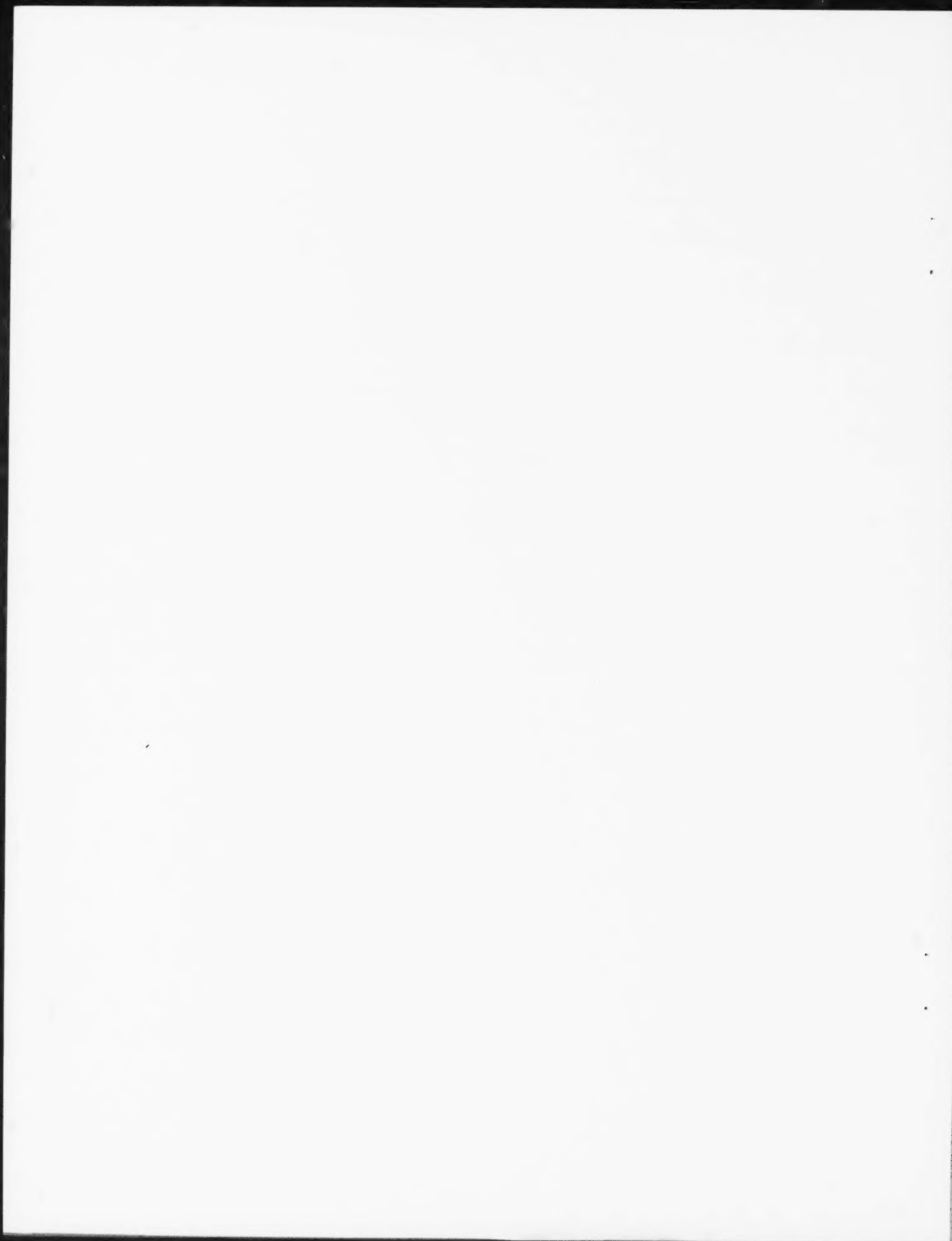
PROVINCE OF SASKATCHEWAN



11-12

PLAN FOR 2011-12

MINISTRY OF  
ENERGY AND RESOURCES



# MINISTRY PLAN FOR 2011-12

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## Statement from the Minister



Saskatchewan is blessed with an enviable diversity and wealth of energy, mineral and forestry resources. The sustainable development of these resources has contributed greatly to the quality of life in our province: through jobs for our people, through prosperity to our communities, and through revenue that supports important social programs and infrastructure.

The Ministry of Energy and Resources has a key role in ensuring sustainable resource development, in collaboration with other government agencies and industry. We take our stewardship role very seriously, implementing policies and programs that ensure our resources continue to enrich our economy and provide value-added benefits to the people of Saskatchewan.

In the pages which follow, we outline our strategies and key actions for the management of Saskatchewan's renewable and non-renewable resources. We identify how our Plan for 2011-12 aligns with the Government's overall direction for economic growth, and my 2010 Mandate Letter from Premier Wall, and we provide benchmarks on which our success as a ministry – and government – can be measured.

Our Plan is a companion document to the 2011-12 Provincial Budget, the *Saskatchewan Advantage*, which offers an overarching framework for economic growth and development. I will report on initiatives in the budget pertaining to resource development, as well as progress on our Ministry's Plan, in the upcoming annual report of our Ministry.

*The Honourable Bill Boyd*  
*Minister of Energy and Resources*

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## Response to Government Direction

Government's plan for the upcoming year is described in the *Government Direction for 2011-12: The Saskatchewan Advantage*. The 2011-12 Budget supports this plan by maintaining and improving our quality of life through enhanced public services and creating more opportunities for all Saskatchewan citizens. Responsible fiscal management means finding the right balance between debt reduction, tax relief, investing in short-term capital infrastructure projects, and matching program spending to long-term, sustainable revenues.

Meanwhile, Government continues to promote effectiveness and efficiency throughout the public service; is continuing with its four-year plan to reduce Government's footprint; and has adopted a "Lean" culture of continuous improvement in the delivery of programs and services.

Ministry Plans for 2011-12 support the fulfillment of Government's **vision for a secure and prosperous Saskatchewan, leading the country in economic and population growth, while providing opportunity for a high quality of life for all**. Government's goals and priorities for the upcoming year are described in the *Government Direction* document, as well as in each ministry plan.

The Plan for 2011-12 communicates a high-level framework for the Ministry's key activities in the upcoming year. All ministries and agencies will report on results achieved or not yet achieved, in their annual reports, to honour Government's commitment to keep its promises, and to ensure greater transparency and accountability to Saskatchewan people.

## Mission Statement

The Ministry works to achieve sustainable development of Saskatchewan's diverse energy, mineral and forestry resources.

# Strategies and Actions

## Government Goal – Economic Growth

Sustain **Economic Growth** for the benefit of Saskatchewan people, ensuring the economy is ready for growth and positioning Saskatchewan to meet the challenges of economic and population growth and development.

### Strategy

### Key 2011-12 Actions

#### Modernize energy and resource sector business and regulatory systems

- Design and develop new oil and gas systems solutions to meet all legislative, regulatory and stakeholder requirements.
- Continue work to facilitate the system and business requirements of the Ministry and oil and gas industry for infrastructure reporting, volumetric reporting, valuation reporting and royalty taxpayer information.
- Advance the revenue management and billing project to improve the efficiency and effectiveness of existing business processes.
- Develop electronic submission capability for licences, permits, approvals and other oil and gas business applications.
- Implement the first e-Tenure (electronic tenure) system for mineral dispositions for commodities such as precious metals, base metals, uranium and diamonds.
- Complete e-Tenure design work for expansion to other commodities such as oil, gas, potash and coal.
- Modernize mineral tenure regulations to support the implementation of new e-Tenure systems.

#### Advance innovation and research in the energy and resource sectors

- Advance geosciences research in support of further developing the petroleum and mineral sectors including the development of new geosciences partnerships with provincial universities, research organizations and the federal government.
- Continue to administer the Mineral Exploration Tax Credit to encourage investment in exploration and long-term sustainable development of mineral resources.
- Continue the Saskatchewan Petroleum Research Incentive (SPRI) program to 2015.
- Continue funding the Petroleum Technology Research Centre (PTRC) for research and capacity development in next generation oil production technologies to maintain future viability of the Saskatchewan oil industry.

#### Support the restructuring of the province's forest industry\*\*

- Promote the full utilization of the forest resources in the Prince Albert Forest Management Agreement and other licensed areas in order to maximize the economic development potential of the sustainable wood supply and enhance social and economic benefits.
- Support research and development activities for value-added forest products, market expansion opportunities and investment attraction.
- Continue to investigate and analyze wood bio-mass availability and utilization for forest-derived energy.
- Continue to address recommendations and actions from the Forest Sector Team to improve industry competitiveness.
- Facilitate the redevelopment of the Prince Albert pulp mill.
- Review and update provincial crown forest dues and fees.

\*\* Progress will be measured in concert with the Ministry of Environment by monitoring the utilization of annual allowable cut.

## Government Goal – Security

**Secure** Saskatchewan as a safe place to live and raise a family where people are confident in their future, ensuring the people of Saskatchewan benefit from the growing economy.

### Strategy

### Key 2011-12 Actions

#### Ensure the sustainable development of petroleum and mineral resources

- Host the Saskatchewan Geological Survey Open House and the Williston Basin Petroleum Conference; participate in other key industry trade shows including the Prospectors and Developers Association of Canada Conference and the North America Prospect Exchange.
- Continue to manage the environmental risk and liability associated with oil and gas wells and related facilities through the Orphan Well Program.
- Pursue investment attraction activities targeted at the mineral industry around the world and domestically to expand Saskatchewan's mineral and energy industries.
- Participate in the review and development of national standards and guidelines related to oil and gas operations to ensure protection of the environment, and public health and safety.
- Promote the responsible development and conservation of oil and gas resources by providing effective regulatory oversight.
- Promote and encourage efforts to reduce the venting and fugitive emissions from wells and facilities through new regulatory standards and environmental stewardship.
- Work with the Saskatchewan Research Council and the federal government to ensure that abandoned mine cleanup activities continue.

#### Ensure a competitive and effective fiscal regime for resource development

- Ensure competitive royalty and tax regimes across all resource sectors.
- Evaluate new incentives and regulatory measures designed to promote new resource plays and improve recovery from existing fields through the adoption of new technologies.

## Government Goal – Promises

Keep Government's **Promises** and fulfill the commitments of the election, operating with integrity and transparency, accountable to the people of Saskatchewan.

### Strategy

### Key 2011-12 Actions

**Support government efforts to encourage First Nations and Métis participation in the resource industry**

- Increase Aboriginal participation in the forestry sector through consultation on forestry projects and the facilitation of partnerships between the forest industry and First Nations.
- Support information-sharing forums and networking opportunities between the non-renewable resource sector and First Nations and Métis businesses.
- Promote the adoption of best practices in First Nations and Métis engagement in the oil, gas and mining industries.

**Support effective and efficient public and private infrastructure planning and development**

- Continue to work with other provincial agencies and industry stakeholders to ensure the requirements of the resource sectors are factored into infrastructure planning.

**Support New West initiatives positioning Saskatchewan as a leader among western counterparts**

- Work with Alberta and British Columbia to implement the Energy Memorandum of Understanding.
- Participate in promotion of Western Canadian resource and economic strengths in joint investment attraction missions.
- Promote new technologies related to carbon capture and storage and oil production which are key to the province's energy future.

**Improve the effectiveness and efficiency of the Ministry's programs and services so as to ensure the best use of public funds**

- Practice continuous improvement to ensure a robust, objective, and multi-year assessment function.
- Continue to work with Enterprise Saskatchewan to address resource development impediments.
- Continue to identify and implement Lean process improvements.

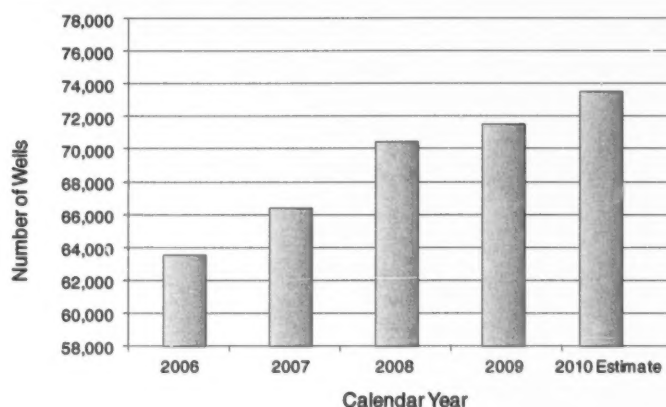


# Performance Measures

## Measure

**Total capable oil and gas wells**

## Baseline / Trend Line Information



### Measure Description

From 2001 to 2010, the number of oil and gas wells capable of production in the province has increased by almost 60 per cent to just under 74,000. This measure is an indicator of the level of regulatory and administrative processes and services required to carry out the Ministry's mandate of providing sound management of the province's oil and gas resources. Ministry officials continually monitor all oil and gas wells in Saskatchewan because of the impact these wells have on the environment and the provincial economy. Saskatchewan is the second largest oil producer in Canada (after Alberta) and the third largest producer of natural gas (after British Columbia and Alberta).

The Ministry closely monitors oil and gas well activity from a regulatory (operational safety and reservoir management) and revenue perspective (royalties and taxation). The number of capable oil and gas wells provides an indication of the total amount of information that must be maintained about each well in the province. The information that is maintained includes well records, drilling information, well status, ownership, completion information, core analyses, pressure and fluid analyses, drill stem tests, logging surveys, casing details, geologic formation tops, oil, gas and water production levels, etc. for each well drilled under *The Oil and Gas Conservation Regulations, 1985*.

By monitoring the number of capable wells in Saskatchewan, the Ministry is able to gauge ongoing activity in the oil and gas sector which is used to forecast investment, employment, production and provincial revenues, and plan the human and financial resources the Ministry will need to regulate the industry and collect royalties and production taxes.

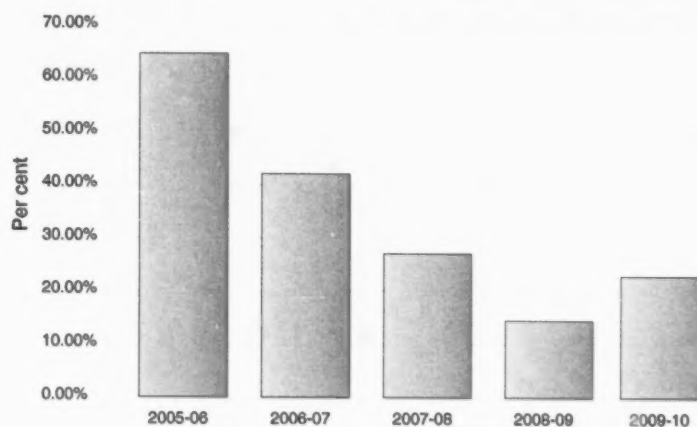
Source: Ministry of Energy and Resources



## Measure

**Per cent of annual allowable cut harvested, by fiscal year**

## Baseline / Trend Line Information



### Measure Description

The percentage of annual allowable cut harvested reflects the effectiveness of the balance between environmental protection and economic development. The annual allowable cut is determined using a variety of environmental factors to ensure long-term forest sustainability. The Ministry of Environment determines the annual maximum allowable cut but individual companies determine the percentage of the allowable cut they will actually harvest based on a number of market-based factors that include demand and available prices for forest sector products. This measurement is for the commercial forest zone only and does not include the Suggi Lowlands and the Nemeiben Forest Area.

The chart above shows the extent to which Saskatchewan's forest sector has been negatively affected by the external market forces which have caused a massive downsizing of primary forest sector activity and the closure of lumber, oriented strand board (OSB), pulp and paper mills across Canada in recent years.

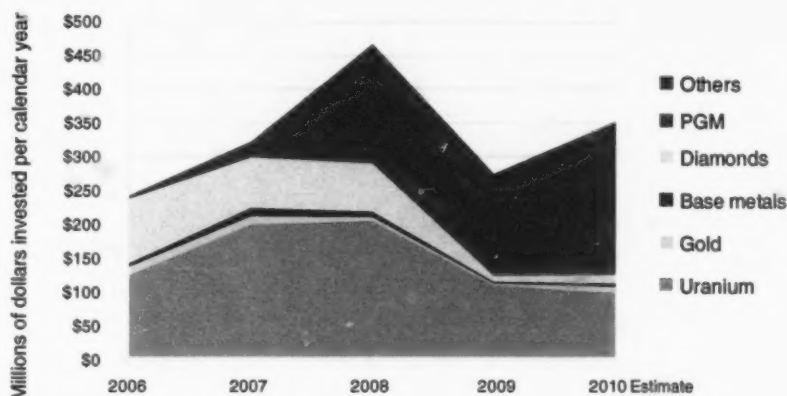
The Ministry of Energy and Resources efforts in forest development are designed to facilitate the long-term transition of the sector to a highly-competitive, value-added industry. The Ministry is engaged in priority forestry activities with stakeholders intended to support research and achievement of this transition. By monitoring the amount of wood cut each year (as expressed in terms of per cent of total wood available to be cut), the Ministry is able to gauge how well its efforts and programs function. This evaluation must also be considered in view of economic and market forces prevailing in the North American market. How well these can be mitigated with government responses is often dictated by fiscal capacity, international trade agreements and trade measures such as quotas which limit exports of our production.

Source: Ministry of Environment

## Measure

### Mineral exploration in Saskatchewan

## Baseline / Trend Line Information



### Measure Description

Saskatchewan's large and diverse mineral sector is comprised of three inter-related components: mineral exploration, mining and value-added activities. It is one of the most technologically advanced industries in the province. Mineral exploration is crucial to sustaining and growing the sector. Due to natural resource depletion, new mineral deposits must continually be explored for and discovered, not only to enable existing mining operations to continue to operate but also to enable the expansion and growth of the sector through the development of new mining operations. Ongoing exploration also leads to the discovery of new commodities for development, broadening and diversifying the overall mineral sector. The exploration industry includes a variety of players ranging from prospectors to junior exploration companies to senior, international corporations.

This measure tracks mineral exploration for select commodities ("Others", above, includes commodities such as coal, rare earth minerals and potash. While potash is the predominant mineral in this category, the Ministry must maintain confidentiality about data that could reveal company-specific activities). The relatively high levels of mineral exploration present a variety of opportunities for direct employment and business development particularly for geographic regions close to the major centres of exploration, as well as for more regional centres. The measure indicates demand for Saskatchewan mineral resources and identifies possible future developments including the attractiveness of Saskatchewan, in particular, to Asian investors.

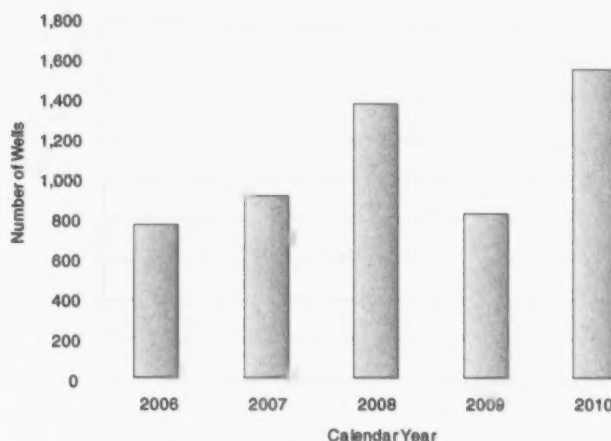
In 2010, exploration spending rose by about \$80 million compared to 2009. This reflected an improvement in commodity prices and the ability of junior companies to raise capital in the equity markets to advance their projects. This was assisted modestly by the re-introduction of the Mineral Exploration Tax Credit. In May 2009, the Ministry introduced changes which benefited the industry by sustaining exploration activity during economic downturn. These changes included allowing companies to double count the value of exploration expenses incurred between March 2009 and March 2011. This helps companies hold their dispositions while encouraging continued investment in mineral exploration. The Ministry also provided more flexibility for companies to allocate exploration expenditures among a number of commonly held mineral dispositions. New geosciences initiatives, including an investigation of rare earth element potential in northern Saskatchewan, a study of the context of Saskatchewan deposits and an airborne geophysical survey of part of the Athabasca Basin, are helping to facilitate new exploration.

Source: Ministry of Energy and Resources

## Measure

### Horizontal oil well drilling

## Baseline / Trend Line Information



### Measure Description

The level of horizontal drilling in the province is an indication of the effectiveness of the province's regulatory and fiscal provisions. It is also an indicator of the application of new and improved technologies in the province as well as an important measure of the level of investment and drilling activity. One horizontal well often requires the same amount of metres drilled as two or three vertical wells. As a result, a decline in the total number of wells drilled does not necessarily mean a decline in the total number of metres drilled. Horizontal well drilling, as a percentage of total oil and gas wells drilled in the province, continues to increase and has become an accepted or standard practice in many reservoirs in the province.

A rebound in oil prices commencing in the latter part of 2009 contributed to a record 1,531 horizontal oil wells drilled in 2010. This new horizontal oil well drilling record represents an 88 per cent increase over 2009 and a 13 per cent increase over the previous record set in 2008.

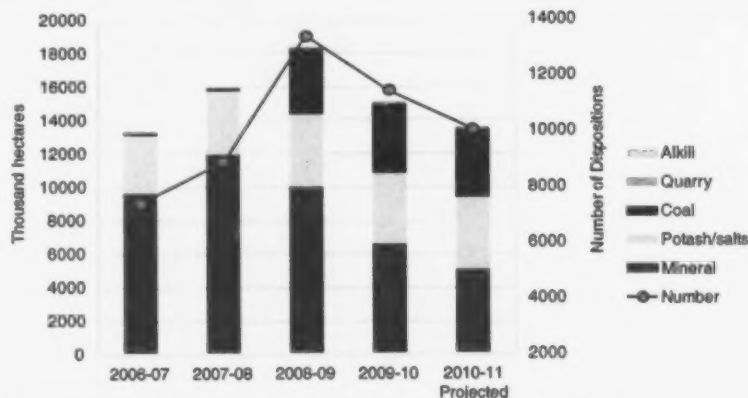
Saskatchewan has vast oil and gas resources and the application of new and improved technologies is crucial to increasing the amount of oil and gas that can be recovered from existing pools and to identifying potential new oil and gas resources. Horizontal drilling is one of those technologies that can expand and increase the amount of reserves that are recoverable in Saskatchewan. Although horizontal drilling technology has been used for more than 20 years, continuing refinements and improvements in drilling and completion technologies has resulted in more economic, precise and successful horizontal drilling and production operations. The application of the technology, including improved hydraulic fracturing technologies, has enabled the successful development of the geologically complex Bakken Formation in southeast Saskatchewan, and has shown similar promise in the Lower Shaunavon Formation in southwest Saskatchewan and the Viking and Birdbear Formations in west central Saskatchewan.

Source: Ministry of Energy and Resources

## Measure

### Crown metallic and industrial mineral dispositions

## Baseline / Trend Line Information



Note: By area, in thousand hectares, and number by mineral and fiscal year to 2010-11 Q3.

### Measure Description

This measure indicates how well the Ministry manages rapid changes in dispositions of our vast mineral resources to minimize delays in approvals of new claims, permits and leases as well as registering ownership transfers to provide important service to industry. The chart above displays activity by major mineral category (in the table above, "Mineral" includes uranium, gold, diamonds and platinum group minerals). In 2008 and 2009, discoveries of coal greatly increased the volume of dispositions processed by the Ministry. Industry must continue to explore such deposits and determine whether development of mining or other processing options are viable. Increases in the total land area of Crown-owned mineral lands being leased and permitted for mineral exploration is an indication of how growth in mineral exploration and development activity in Saskatchewan relates to interest in specific commodities. Such activity contributes to increased likelihood of discovery of economically recoverable deposits of minerals.

As shown above, rapid and significant shifts in the area taken up by mineral dispositions, for specific commodities, are an indication of the attractiveness of Saskatchewan's resources. In 2008, great interest grew in coal while potash interest grew modestly and the area for uranium, diamonds and other precious metals or rare earths fell back. This does not mean market and interest in these commodities is dwindling but it could mean that companies are completing exploration work in certain areas. In addition, dispositions for these resources generally occur in the northern part of Saskatchewan which is relatively less complicated in terms of land ownership matters affecting disposition of lands.

The mineral sector is vital to Saskatchewan's economy, contributing over \$400 million each year in Crown revenues used to support important social programs. Mining supports 30,000 jobs, including almost 2,000 direct jobs in northern Saskatchewan and contributing over \$1.5 billion annually in wages and \$7.7 billion of GDP.

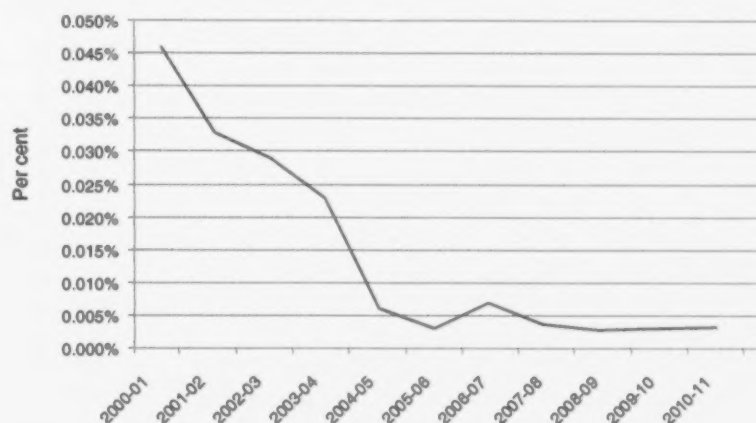
Related to its plan to develop a new web-based Mineral Administration Registry Saskatchewan (MARS), the Ministry will complete improved methods of electronically mapping mineral ownership in the Province. These improvements, over time, will assist government and industry by providing clarity and certainty over a variety of legal interests affecting Crown mineral lands.

Source: Ministry of Energy and Resources

## Measure

### Uncollectible resource revenues

## Baseline / Trend Line Information



### Measure Description

The term uncollectible revenues refers to the amounts of non-renewable resource revenues that are written off as bad debts and are expressed as a percentage of revenues recorded. This measure reflects the Ministry's ability to properly ensure all resource revenues owed to the Province are collected.

The Ministry takes action to achieve an acceptable level of assurance that all royalties, taxes and fees to which the Province is entitled are properly determined and reflected in the Ministry's accounting records, and that the amounts owing are paid. In order to achieve an acceptable level of assurance, the potential risks are evaluated, auditing and monitoring processes and procedures are established, and human and technical resources are utilized to mitigate those risks. The Ministry assesses the adequacy of these processes and resources on an ongoing basis, and enhances them as it deems necessary. The Ministry has improved the audit process and staff complement resulting in "fewer bad debts" and a greater success in collecting revenues owed to the Crown.

Inherent in this measure is a reflection of the financial stability of resource companies carrying on business in Saskatchewan. The lower the percentage of uncollectible revenues, the more stable are the private sector companies remitting payments to the Province.

Source: Ministry of Energy and Resources